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FAIR TRADE AND DEVELOPMENT: A CHANGING PARADIGM

Daniel Jaffee¹

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By the time the fair trade movement celebrated the 20th anniversary of its founding in 2008, it had been transformed virtually beyond recognition. From a marginal European movement characterized by small ethical companies, non-profit charities, solidarity groups and alternative trading organizations (ATOs) selling coffee and handicrafts to a small group of politicized consumers through alternative world shops, fair trade has become an international market system with annual sales of nearly US \$5,000m. (€3,500m.) (FLO 2010), reaching mass audiences of mainstream shoppers across the global North with a wide range of food and non-food products originating from both small producer co-operatives and large agribusiness plantations in nearly 60 nations. Some of the largest transnational food corporations now sell fair trade labelled products, in addition to thousands of smaller companies, and fair trade enjoys widespread consumer recognition in many countries. The fair trade system has also become institutionalized, with a large international certification and coordinating body establishing and enforcing generic and product-specific standards, as well as national certification and licensing bodies in 20 countries.

How do the concrete realities of the fair trade movement at 21 years square with the original visions and aspirations of the movement's founders? Does fair trade's success in sales and marketing terms correspond to an equal degree of effectiveness in transforming the material socio-economic (and ecological) conditions of life and work for the movement's intended beneficiaries? And has it succeeded, even if marginally, in altering the highly inequitable terms of global trade for specific primary commodities, or the rules of global trade more generally?

It is instructive to take a brief look at a few of the early conceptualizations of fair trade's aims. Many of the pioneering movement activists vocalized a vision of fair trade that involved the creation of an alternative to the capitalist market system, with distinct institutions that would operate alongside the structures of the deeply inequitable global market. Michael Barratt Brown, the founding chair of the ATOs TWIN and TWIN Trading in the United Kingdom, and author of

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the first book on fair trade, describes the movement as operating both ‘in and against the market’ (1993: 156). Brown’s analysis, according to author Gavin Fridell, was informed by the insights of radical dependency theorists; he saw fair trade as an approach that could combat structural underdevelopment in the global South by creating an alternative to the ‘unequal exchange’ that plagued export commodity-dependent farmers and nations. Brown’s vision was that of a parallel market, operating on the basis of mutual solidarity between Northern consumers and Southern producers, the latter of whom would be protected from the noxious effects of commodity speculation by guaranteed base prices. However, he also strongly believed that strict market regulation by interventionist states was essential to achieving this vision of a fair market (Fridell 2007: 42–46). Pauline Tiffen, another British movement pioneer, described an early fair trade conference organized by TWIN in the 1980s, in which ‘the choice of [the term] fair was a deliberate decision to broaden a concept that for us was quite anti-capitalist. Like alternative as in alternative system, a parallel system to the market, a challenge to the capitalist system’ (Tiffen 2005). As fair trade began to become institutionalized, however, beginning in the late 1980s with the creation of the Max Havelaar certification for coffee, this challenge to the market underwent a substantial deradicalization, in a conscious strategy to increase the volume of fair trade sales through mainstream retail venues and under existing commercial brands. Fridell asserts that in this process, fair trade became compatible with—rather than antithetical to—the neoliberal economic policies that were dramatically undermining living conditions for the rural (and urban) poor across the global South (Fridell 2007: 53). However, a concern with working to change the terms of the broader unjust global trading system remained for many participants. In 2001 four key fair trade organizations—grouped under the acronym FINE—agreed upon a common definition of fair trade, describing it as:

a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair Trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising, and in campaigning for changes in the rules and practice of conventional international trade. (FINE 2001: 1)

Even more germane to this chapter, the FINE definition goes on to elaborate a series of instrumental goals. ‘Fair Trade’s strategic intent’, the authors write, is:

- deliberately to work with marginalized producers and workers in order to help them move from a position of vulnerability to security and economic self-sufficiency;
- to empower producers and workers as stakeholders in their own organizations;
- actively to play a wider role in the global arena to achieve greater equity in international trade (FINE 2001: 2).

FAIR TRADE'S DEVELOPMENTAL GOALS: FIVE VISIONS

Is fair trade meeting the developmental vision established by its founders? In attempting to answer this seemingly straightforward question, one encounters a basic problem: there has never been full agreement within the movement on what these goals are, and any partial consensus that may have existed at the outset has long since broken down. Rather, a series of distinct visions, often not explicitly expressed by the actors who hold them, exist side by side.

The five approaches outlined below are not an exhaustive list of the approaches to fair trade; however, they roughly indicate the range of positions within the movement regarding its developmental and political-economic impact. While they are not all incompatible, as the quote from FINE above indicates, some are arguably indeed contradictory. Participants in the international fair trade networks variously conceptualize the primary role of fair trade as: a method of poverty alleviation and successful market integration; a means of empowering producers; a device for redistributing wealth between the global North and South; an approach that can internalize the social and ecological costs of conventional trade and commercial practices; or a tool for leveraging greater corporate accountability and thus social and economic justice. These positions, in turn, reflect a deeper divergence in participants' understanding of the relationship between fair trade and the global market, a topic I address in the following section.

The first set of narratives describes fair trade primarily as a device for ameliorating severe rural poverty in the global South, as well as achieving other essential livelihood improvements denied to small farmers by the inequitable terms of global trade, such as debt reduction, food security, better housing conditions and greater educational opportunities. Fridell refers to this as the 'shaped advantage' approach, in which fair trade 'is viewed as shielding its participants from the worst effects of neoliberal globalization by providing a non-governmental approach to price subsidies and a degree of social welfare in the wake of the death of the "developmental state"' (Fridell 2007: 85). Examples of this framing of fair trade abound. Authors Alex Nicholls and Charlotte Opal describe fair trade as 'a development tool that uses existing capitalist supply chains to return more income to producers' (2005: 32). A declaration by fair trade representatives to the 2004 United Nations Conference on Trade and Development (UNCTAD) stated that fair trade 'represents a more effective mechanism for alleviating poverty than aid or macro-institutional economic intervention' (Asarbolsem et al. 2004). The pioneering US coffee roaster Equal Exchange promised consumers in a promotional flyer that by supporting fair trade, 'our trading partners have a chance to break the cycle of poverty and can make the economic choice to farm their land sustainably' (Equal Exchange 2002). In this understanding of fair trade, along with poverty reduction, the successful insertion of small producers into the global market becomes a primary consideration, and the higher minimum price is viewed as the primary tool for achieving this outcome. Diana Gayle of the UK fair trade certifier Fairtrade Foundation describes fair trade as being 'about working with marginalized producers ... building their

sustainability, their understanding of selling and trading and allowing them to survive ... so it's about empowerment and the growth of output and quality for the groups and to get to a point where they no longer need to engage with the fair trade relationship' (cited in Nicholls and Opal 2005).

While until recently comprehensive empirical research on the socioeconomic benefits of fair trade was virtually non-existent—especially work comparing producers accessing fair trade markets and similar producers selling to conventional markets—the past few years have seen the publication of a number of case studies confirming that fair trade is associated with real and significant material benefits for small producers. These include higher household incomes and lower rates of indebtedness, greater food security, improved housing, higher rates of educational attainment, and greater use of environmentally sound agricultural practices (e.g. Bacon 2005; Jaffee 2007; Lewis and Runsten 2008; Ruben 2008). On the other hand, various observers (including many of these same authors) have noted the multiple limitations of such benefits: the fact that most producer groups are only able to sell a small portion of their total production at fair trade prices, thereby diluting their effect; the deteriorating real value of fair trade minimum prices themselves; the greatly increased labour demands and costs borne by co-operatives and individual producers to meet fair trade and organic certification requirements and buyers' quality standards; the reduced attractiveness of fair trade for some farmers when conventional prices are high; and the tendency toward intensification (and away from diversification) that can accompany market success for the most efficient producers (see Murray et al. 2006; Renard and Perezgrovas 2007; Bacon et al. 2008; Jaffee 2008; Mutersbaugh 2008).

The declining purchasing power of the minimum prices for coffee in particular is cited repeatedly by producer organizations and their progressive roaster and NGO allies in the North as a major obstacle to realizing even the poverty reduction promise of fair trade. According to researcher Christopher Bacon, the fair trade base price for organic coffee (which was US \$1.41 from the movement's inception until it was raised in 2008 by FLO to \$1.55 per pound), has lost over 41% of its value, using only the lower US inflation rate; despite the recent boost, it would need to be over \$2.29 per pound today to recoup its former value to producers. Many coffee organizations claim that their members can no longer break even, despite receiving the full fair trade organic price (Bacon et al. 2006; Jaffee 2007; Bacon 2010). Yet the nature of price-setting process at the FLO level—essentially, a political impasse between retailers and producers—has impeded the restoration of the minimum prices to levels adequate to provide farmers a sufficient margin. 'Fairtrade's efficacy as a safety net', write Holt-Giménez, Bailey and Sampson, 'is eroding because it is based on a premium price that no longer provides a living wage' (2007: 19).

Of course, all of this ignores other key practices that were originally central to the fair trade model—particularly the maintenance of long-term trading relationships between buyers and producers, and provision of pre-harvest credit. Many fair trade consumers are surprised to learn

that neither of these practices is now consistently honoured, especially by the larger transnational firms participating in the fair trade market (see Reed 2009).

Nevertheless, even if fair trade were far more effective at ameliorating rural poverty for participants, this is a meagre goal, a neoliberal goal, compared to the original transformative vision of most movement pioneers. Indeed, the World Bank has for several years embraced fair trade as consistent with its programmes (Farnsworth and Goodman 2006; World Bank 2008). ‘The neoliberal position that markets in and of themselves are sufficient to reduce poverty, end hunger, and promote sustainable development’, write Holt-Giménez, Bailey and Sampson, ‘is a notion that has been refuted by two decades of disastrous corporate-led globalization’ (2007: 18).

A second view frames fair trade as primarily a means of empowering small producers—and in some cases, waged labourers—as the second strategic goal in the FINE definition above indicates. Does fair trade empower? An obvious question is, empower whom? That is, who are the intended beneficiaries of fair trade? The movement was founded explicitly as an alternative market for the products of highly marginalized small peasant farmers and producers of tropical commodities such as coffee, cacao, bananas and tea, who were expected to organize collectively in order to access the fair trade market. The general thrust of the critique by early fair traders of the unjust terms of global trade focused squarely upon the impoverishment generated by the triple burden of miserably low crop prices for peasant farmers (along with the resultant cycle of debt), the volatility of commodity speculation, and the predatory role of local and international intermediaries. Thus, creating shorter, more direct, and less exploitative trading relations was seen as the route to achieving higher and more stable prices and greater economic justice for farmers. However, particularly in the past five years, the FLO system has made a dramatic expansion into crops produced not by small farmers but by waged workers on plantations and estates. The fair trade standards in this newer ‘plantation modality’ are distinct: they stipulate payment of national minimum wages (though not necessarily a living wage); respect for the right to organize (though not a requirement for the presence of an independent labour union); adherence to minimum ILO labour standards; a prohibition on the use of the worst agrochemicals; and payment of the fair trade social premium into a fund to be administered by a ‘joint body’ composed of both labour and management. While they initially represented a negligible share of total fair trade volume (primarily for crops such as tea, where smallholder co-operative production was temporarily insufficient to meet consumer demand), plantation crops in the past five years have come to represent a steadily increasing proportion of fair trade certified products. Virtually all of the new products introduced by FLO—key among them cut flowers, tropical fruits and fruit juices, and wine—are produced primarily or exclusively on plantations, rather than by small producers, and may well come to represent the majority of fair trade volumes in the near future (Dickinson 2004). This is a significant shift, one opposed by the overwhelming majority of small producer representatives to FLO, as well as many Northern fair trade NGOs and retailers. The US fair trade coffee roaster Equal Exchange publicly stated its

‘belief that the very nature of plantations is antithetical to the goals of fair trade ... [t]he company believes that “fair trade” needs to mean “small farmer”’ (Equal Exchange 2009).

Thus, the question of whether fair trade empowers is not as straightforward as it might appear. Furthermore, it depends which aspects of fair trade are viewed as empowering; the premise that the economic benefits alone empower farmers is controversial. Holt-Giménez, Bailey and Sampson write that marketers who ‘claim that Fairtrade “empowers farmers” are in essence claiming certification is the small adjustment needed to make good on the neoliberal promise’ (2007:18). However, several empirical studies do point to important, less quantifiable processes of personal and collective transformation that take place for producers when they organize and begin to engage with value-added markets such as fair trade, aided both by the power of numbers and by the greater transparency and consistency these markets can offer. Others describe important dynamics of gender empowerment in which women are able to assume key decision-making roles through their co-op membership that were formerly closed to them; still other studies cite the greater ability of co-operative members to demand and obtain services and financial resources from state entities in some contexts (e.g. Shreck 2002; Jaffee 2007; Bray et al. 2008). If small producers are organized in democratic co-operative organizations, then, the response to whether fair trade empowers is a qualified yes.

If the fair trade participants are waged labourers on certified plantations, on the other hand, the answer is less clear. Several observers have raised questions about whether the higher fair trade prices and premiums actually translate into material improvement for workers. A recent story in the Times of London claimed that workers on some Indian fair trade tea plantations had experienced no benefits at all from certification (Bahra 2009); other reports indicate that unionization is non-existent on any fair trade certified flower plantations in notoriously union-hostile Colombia. Bama Athreya, the executive director of the NGO International Labor Rights Forum, stated that ‘[w]e wonder if Transfair [USA] is equipped to deal with worker-rights violations, especially as they expand and get into more complex supply-chain industries’ (Goigoi 2008).

A third approach views fair trade as a tool for redistributing wealth. The worsening terms of trade for primary commodities for Southern nations and producers, a trend underway for much of the 20th century but especially pronounced since the 1970s, were central to the analysis of fair trade’s founders. Their work was infused with a strong moral thread, which stressed the imperative of achieving greater distributive justice for marginalized small farmers who were trapped in a cycle of low farm prices and recurring debt. Coffee producing nations currently retain less than 10% of the retail price of coffee, down from approximately one-third in the era of the International Coffee Agreement, a supply management pact which was in effect from the 1960s until 1989. The obscene differences between farmgate prices and retail prices—for example, conventional small coffee farmers can receive as little as 1% of the purchase price of

the beans they grow—focused the early fair traders’ attention on the composition of the supply chain and the necessity of eliminating exploitative intermediaries, thereby shortening the distance between producers and consumers and freeing up extra capital that could flow to farmers in the form of a fairer price.

And fair trade has indeed succeeded in redistributing capital. The national certifier Transfair USA calculates that from US consumer purchases alone, fair trade has transferred more than US \$148m. above prevailing market prices into the pockets of farmers since 1998 (Transfair USA 2009). Yet while this does constitute a distinct and more remunerative market, these amounts alone are obviously inadequate to alter the scale of the structural injustice affecting small producers. Moreover, the fair trade prices and premiums still represent a very small portion of the value to be realized along the commodity chain—for example, the fair trade farmgate prices (the amount that actually reaches farmers, as opposed to their organizations) are only between 5% and 15% of the retail price of coffee. (Because green coffee loses weight in the roasting process, this relationship is not exact; however, it does serve as a useful benchmark for comparison). The majority of the profit is captured in the North, in processing, packaging and retailing—activities in which only a handful of producer organizations hold any stake. Equal Exchange co-founder Jonathan Rosenthal asserts that ‘one of our biggest challenges is that fair trade ... isn’t particularly fair. It’s much better, and it can be very powerful relative to what the alternative is—business as usual. But if I look at the way that I live, and the way a coffee farmer lives in Nicaragua, say—what’s fair about their life compared to my life? How can you say this is fair trade, almost as if it’s enough?’ (Rosenthal 2005). Add to this the problem of stagnating real fair trade minimum prices, and the challenges to realizing the premise of meaningful distributive justice through fair trade appear fairly daunting.

A fourth conceptualization of fair trade is that of a tool for internalizing the social and environmental costs of conventional trade and business practices. Because of the existence of uniform labour standards and independent third-party licensing, fair trade certification at least theoretically poses a barrier to the extreme exploitation of small farmers and waged labourers by large commercial firms and estate owners; firms that want to participate will face greater constraints on their behaviour, and thus potentially reduced profits. In the same way, the ban in FLO standards on the use of the worst agrochemicals, and the synergy between fair trade and organic certifications (especially considering the ecosystem-protecting services rendered by organic practices) would seem to constrain firms’ ability to externalize environmental costs. ‘At present’, write Nicholls and Opal, ‘the vast majority of businesses do not internalize the costs of their social and environmental impacts. By contrast, the fair trade movement believes that in order for trade to be sustainable, and not to distort markets, the full social, environmental and economic costs of goods and services must be taken into account’ (2005: 27). The Equal Exchange promotional flyer quoted above claims that fair trade allows farmers the economic freedom to engage in sustainable agricultural practices (Equal Exchange 2002).

To what extent are such claims valid? Fair trade clearly does increase producer incomes in many cases, directing additional capital to farmers and their communities in the form of higher prices as well as social premiums that can fund infrastructure or other projects at the household or village level. When combined with organic production practices, fair trade is also associated with more ecologically beneficial farming practices (and in many case with higher farmgate prices), although these practices also frequently involve higher labour costs as well. On the other hand, some current developments in the fair trade system threaten to undermine these potential benefits. The first is the dramatically increased participation of large mainstream commercial firms, some of them transnational corporations, in the fair trade market. The most notable cases are in the coffee market, where the specialty coffee giant Starbucks, along with the dominant mass marketers Procter & Gamble, Sara Lee, Nestlé and even Coca-Cola have received certification for individual lines of fair trade coffee. While this development has greatly increased total fair trade coffee volumes (Starbucks alone accounted for over one-quarter of the certified beans purchased in the USA in 2008, according to Transfair USA 2009), it also permits these firms to dabble in the fair trade market at a miniscule proportion of their total purchases (in the cases of the other four firms listed above, less than 1% of overall volumes). In this situation, participating in fair trade does not ameliorate the negative social or environmental externalities caused by these firms, except for the small proportion of their production that is actually fair trade certified. Second, the increase in the proportion of certified goods coming from agribusiness plantations—which places the fair trade imprimatur upon crops produced using many of the worst conventional agricultural and labour practices, with only minimal changes—further weakens the claim that the fair trade seal connotes an assurance of sustainability. Finally, the structural nature of the market economy limits the extent of internalization that is possible, even for the most ethical companies. Fair trade products have to compete on the basis of price with other comparable products for consumers. While in some cases shoppers are willing to pay slightly higher prices for fair trade goods, and the shorter fair trade supply chains (bypassing some traditional intermediaries in some cases) do allow the freeing up of additional capital to producers, there are also very real limits to this flow of value, unless producers are able to obtain an equity stake in the retailing of their products in Northern markets. It is also worth noting that for large corporate retailers, selling fair trade goods in no way implies that their detrimental labour or environmental practices in the country of sale have been altered. This allows Walmart, for example, to sell fair trade certified coffee for US \$5.99 per pound, undercutting its competitors by subsidizing the price precisely because it can externalize social and ecological costs for the vast majority of its other products.

A fifth and final conceptualization of fair trade is that of a device for leveraging greater corporate accountability. As large corporations have entered the fair trade certification system, they have caused dramatic volume growth, but also generated substantial tensions and contradictions, partly discussed above. However, this approach views corporate involvement as a valuable

opportunity to change the overall behaviour of large firms that have in some cases earned a reputation as ‘bad actors’. Nestlé, for example, was for two decades the target of NGO campaigns excoriating the corporation for its destructive infant formula marketing practices in the global South. Is fair trade a mechanism that can effect changes in these damaging practices, holding firms accountable for their overall corporate behaviour? Or does the fair trade seal instead serve as window-dressing for companies’ image enhancement efforts regarding their corporate social responsibility—a ‘fig leaf’ allowing them to ‘fair-wash’ their larger record (see, for example, Renard 2005; Fridell 2007; Reed 2009)? The movement is deeply divided over this question. When Nestlé received certification in 2005 for its Partners Blend coffee line (comprising less than 0.2% of its coffee supply), Harriet Lamb, the director of the UK certifier Fairtrade Foundation, declared that ‘it’s an incredible step for Nestlé, one of the four biggest companies, to recognize the values of fair trade’. However, much of the reaction from within the movement was negative. One Latin American coffee producer representative asked: ‘We thought this fair trade would help us escape the practices of companies like Nestlé. How can it be that they are now a fair trade company, buying a tiny amount, while their practices on the whole remain as exploitative as ever?’ (both quoted in Tucker 2006: 7). Such ‘dabbling’ is possible because neither the FLO system nor the national certifiers stipulate a minimum percentage level for entry into the fair trade market, nor do they mandate an increase in volumes over time. When a firm can receive fair trade certification (and the highly valuable accompanying public relations benefits) for less than 1% of its total supply chain, with its social and environmental practices unchanged for the remainder, the framing of fair trade as a corporate accountability device is a questionable one. On the other hand, if certifiers were to pursue more zealously the regulatory function with which they are charged—for example, if they required steadily increasing volume levels over time, or conditioned certification upon an evaluation of companies’ overall practices—fair trade might be able to serve as a wedge to force greater accountability. However, the certifiers insist that these concerns are beyond their purview. Paul Rice, the CEO of Transfair USA, says that ‘we feel like rather than taking a regulatory, or even a punitive, approach to this whole question, the best thing we can do is engage the best we can with the industry around expectations and commitments to growth’ (Rice 2005). The certifier’s ‘Corporate Engagement Guidelines’ state that ‘Transfair’s certification and audit system focuses on Fair Trade Certified products, not a company’s overall business practices ... It is beyond the scope of Transfair’s certification model to try to address these concerns or to provide a comprehensive corporate social responsibility (CSR) rating’ (Transfair USA 2008). Thus, while fair trade does have the potential to serve a role in creating greater corporate accountability, its key institutions have opted not to exercise this power.

It is important to note that none of the five perspectives discussed above directly addresses a key element prominent in the vision of most of the founders of fair trade, one which is summarized by the call in FINE’s definitional document to ‘play a wider role in the global arena to achieve

greater equity in international trade' (2001: 2). The following section takes on this question more explicitly.

THE ROLE OF FAIR TRADE VIS-À-VIS THE GLOBAL MARKET

The disjunctures described in the previous section owe their existence to a deeper and more fundamental set of divergences within fair trade over participants' understanding of the relationship between this alternative movement and the larger market—that is, over the question of whether fair trade functions principally within the logic of global capitalism or whether it presents a distinct challenge to that system. Owing in part to the split origins of the movement, which emerged both from radical solidarity activist organizations with a deep critique of international capitalism on the one hand, and from liberal religious charities and secular development NGOs on the other, fair trade has been characterized since its inception by multiple diagnoses of the core problems, as well as multiple prescriptions for action. The range of positions within the movement has also shifted and broadened over the past two decades as the fair trade market has grown dramatically, the certification system has become institutionalized, transnational companies have entered fair trade, and the perspectives of these larger commercial firms—along with more reformist NGOs, international financial institutions and other actors—are added to the mix.

Underlying the original vision of fair trade's pioneers was a profound conviction that the global market is fundamentally broken—that it works to harm, rather than benefit, small peasant producers. Markets, to paraphrase the argument of the influential Hungarian economic historian Karl Polanyi, had traditionally been 'embedded' within systems of social and moral obligation and reciprocity, but beginning with the industrial revolution they became the organizing principal of the entire economy and society, wreaking severe social and environmental damage. Polanyi viewed the broad range of social and labour movements, and the resulting creation of welfare states in Europe, North America and elsewhere, as 'movements of self-protection' that by the post-Second World War period had succeeded in taming and reregulating markets—'re-embedding' them to once again serve society (Polanyi 1944). However, the revival since 1980 of the doctrine of unfettered markets and free mobility for capital—and the accompanying neoliberal policies of structural adjustment, debt management and export-led development that have been applied across the global South by Northern financial institutions and governments—have notably deepened the immiseration of both Southern states and citizens. Several observers of fair trade have applied a Polanyian framework to the fair trade movement, asking whether it does or can succeed in re-embedding economic exchange (e.g. Raynolds 2000; Hudson and Hudson 2004; Mutersbaugh 2005; Fridell 2007; Jaffee 2007).

While many current fair trade participants might answer that general question in the affirmative, there has long been a lack of consensus within the movement on the tactical and strategic

questions of how such re-embedding might be achieved. This divergence predated the entry of transnational corporations into the fair trade system, and has been sharpened by their participation. One of the axes of tension—particularly pronounced in the US context—is between two distinct groups of fair trade retailers: on the one hand, small and medium-sized companies selling largely or entirely fair trade certified products, most with long histories of collaboration with producer groups and communities, and on the other, the large publicly-traded corporate firms that account for an increasingly large proportion of fair trade sales volumes. The divergence between these movement-oriented and profit-oriented firms has in turn given rise to another set of tensions, pitting progressive movement-oriented NGOs and membership-based fair trade groups against FLO and some national certifiers, along with a more moderate group of NGOs. These differences emerge in concrete form around practical questions of policy, standards formulation, and governance in the FLO system. The most contentious of these have been described above: the desirability of transnational corporate participation (and under which conditions); the appropriateness of increased fair trade production from agribusiness plantations; and the level of the minimum prices and the process for adjusting them. The decisions by the US and UK certifiers to license Starbucks and Nestlé, respectively, generated especially virulent controversy between these various constituencies.

Yet beneath these policy battles lies a deeper set of differences between various participants over the nature of the relationship between fair trade and the ‘unfair’ global market. Is fair trade principally an adjunct to the dominant market that can ameliorate some of its harshest features for a small subset of farmers and labourers? Does it constitute a set of genuinely alternative trading structures that have the potential to reform the functioning of global markets, thereby tipping the balance in favour of small producers? Or does it represent a means of radically transforming the global capitalist economy, altering the basic functioning of international trade and moving toward a genuinely equitable global economy? Another, subsidiary, set of questions flows from these. How does fair trade relate to (and how is it affected by) the rules, policies and institutions of international trade, especially those of the global economic managers—the World Trade Organization, the International Monetary Fund, and the World Bank? And how does the concrete purchasing of fair trade certified commodities relate to broader movements and projects that aim to achieve greater trade and economic justice?

Examining the record of the fair trade movement to date can help indicate which of these three descriptions is in fact closest to reality. The previous sections have considered the policy developments within fair trade around four key issues: the issue of mainstreaming and corporate entry; the conditions for ongoing corporate participation; the level and real value of minimum prices; and the role of plantations in fair trade. Other contentious issues within the movement include: struggles over formal producer representation within the FLO governance structure (their numbers have increased, but still constitute a minority) (Renard 2006); the extent to which corporate participation has actually weakened or diluted the standards underpinning fair trade

(see Thompson and Coskuner-Balli 2007; Fridell et al. 2008; Jaffee and Howard 2010); and the process—by now well advanced—of harmonizing the FLO standards with other global standards regimes, such as those of the International Standards Organization and the WTO (Mutersbaugh 2005).

Examining the evidence, it seems clear that the fair trade movement has since its early days moved away from its foundational aspirations of market transformation and/or market reform. At the start of its third decade, fair trade functions largely as an adjunct to the market—a tool primarily for achieving market access and poverty amelioration—rather than constituting a truly alternative set of trading institutions or presenting a fundamental challenge either to the overall terms of global trade or to prevailing industry practices. There are, of course, noteworthy exceptions to this broad generalization. At the same time, the fair trade system has in the same two decades grown substantially, reaches large numbers of mainstream consumers, and increasingly generates real (and sometimes significant) material benefits for producers, in large part because of this very process of deradicalization. This paradox may be cold comfort for advocates of a vision of fair trade as a more holistic, more transformative economic social movement. However, it is precisely because fair trade does have the potential to force far more substantial changes—possibly even becoming a force capable of reforming global markets (that is, if there were substantial internal policy reforms)—that such advocates might do well to consider continuing to work to change the system, either from the inside and/or outside.

THE FUTURE OF FAIR TRADE

What awaits the fair trade movement? Is it possible to extrapolate from current trends to imagine the state of the movement in the medium-term future, say a decade from now? I take two different approaches to addressing these questions, examining some qualitatively new developments that may take fair trade in unanticipated directions, and looking at the issue of the growth of the formal certification system.

Within the past several years, fair trade activists have begun to extend the traditional South-North model in some intriguing new directions. The first of these is the advent of domestic fair trade. As the limitations to the capacity of international fair trade markets to absorb the production of small producer organizations became more apparent in the 1990s (the average fair trade coffee co-operative on the FLO register can only find buyers at fair trade prices for less than 25% of its harvest), and as organized producers of other crops (those without certification or unable to meet international quality demands) were shut out from value-added markets entirely, some producer groups and NGO allies in the South began to apply the international fair trade model to a domestic context. Beginning in Mexico with the NGO Comercio Justo Mexico (Fair Trade Mexico), these advocates created a national certification system for the products of small producer co-operatives, seeking to build markets among domestic consumers by appealing to

values of social solidarity with marginalized peasant and indigenous farmers. These efforts soon expanded to Brazil and South Africa, both of which have seen the state take an active role in fomenting demand for national fair trade products. These efforts dovetail with the growing ‘solidarity economy’ movement, which is particularly strong in South America (Renard and Perezgrovas 2007; Wilkinson and Mascarenhas 2007). In a distinct but analogous development, groups of family farmers and progressive NGOs in the USA have also experimented with creating domestic fair trade initiatives, linking economically- struggling dairy, fruit and nut farmers with urban consumer markets under several new labelling initiatives. A set of domestic fair trade standards has also been developed by a coalition of farmworker justice and agriculture and trade policy groups, with certification predicated upon living wages for labourers and a fair price for farmers; these products recently made their debut in some regions of the USA (Jaffee, Kloppenburg and Monroy 2004; Agricultural Justice Project 2008).

The other innovation with the potential to alter the trajectory of fair trade is the creation of fair trade companies with direct producer equity co-ownership. As of this writing, at least two such firms exist: Cafédirect, a sizeable ATO with a one-third share of the UK coffee and tea markets (Nicholls and Opal 2005: 122), which is at least 5% owned by its producer cooperative members; and the Day Chocolate Company, which sells its Divine Chocolate products in both the UK and USA, in which the Ghanaian producer group Kuapa Kokoo holds a 45% equity stake. Further extension of this model of capturing added value, which Doherty and Tranchell (2007) term ‘radical mainstreaming’, could go a long way toward redressing the serious limitations on the flow of capital to producers under the conventional fair trade model.

A second major issue is the growth of fair trade. That the market for fairly traded products will continue to grow is highly likely, but what kind of growth will it be? This is a question of means and ends, one which encapsulates many of the intra-movement splits discussed in the previous sections. The international fair trade movement and system are divided over what model of growth to pursue. One vision involves volume growth as the preeminent movement goal, to be achieved by any means possible in order to benefit the greatest number of producers and organizations. In this view, the increasing certification of agribusiness plantations is seen as a logical route to rapid growth, because they are most capable of meeting retailers’ demand for high volumes and new certified products efficiently. Yet this approach is controversial. ‘The fair trade movement has grown so fast’, says former CEO of certifier Max Havelaar Switzerland and former FLO board member Paola Ghillani, ‘but has forgotten to invest enough in growth management like normal companies’ (quoted in Bahra 2009). Transfair USA’s CEO Paul Rice, dismissing criticism that further certification of plantations would harm small producers of the same crops, responded that ‘[t]he disadvantaged majority would be locked out of the market if I were to look only for small farms for bananas and tea’ (quoted in Goigoi 2008). The other approach is diametrically opposed: a vision of intentionally slower market growth, with increased attention paid to retaining the movement’s foundational values and principles. The

FLO system is ‘trying to increase the number of people in the fair trade movement’, says pioneer Michael Barratt Brown, ‘but at the expense, I fear, of some of the principles’ (Brown 2004). In one concrete example of this divergence, all of the fair trade coffee producer organizations joined forces in 2004 to mount fierce resistance to FLO’s proposal to allow plantation certification for coffee, a plan which was defeated and is currently dormant. Likewise, three other products remain closed to plantation certification—cacao, honey and cotton—but these four crops are likely to be the only exceptions to fair trade’s expansion into the waged labour sector at the expense of small farmer co-operatives.

CONCLUSIONS

This chapter has attempted to assess the current state of the politics of the fair trade movement, and address whether fair trade has met the developmental and political-economic visions set out by its founders. But in order to come to any meaningful conclusions about fair trade’s efficacy, one needs to answer a key question: what constitutes success? Given that fundamental divergences have riven the movement over basic goals and policy choices, is agreement on what it would look like even possible? With different groups of advocates passionately defending metrics of success that range from rapid sales volume growth and increased corporate engagement and expansion of the plantation sector, to ‘deep fair trade’, characterized by slow growth, the exclusive participation of small producers and an emphasis on building truly alternative commercial models and institutions, there often seems to be little common ground. While very few participants have left the formal certification system over these divisions so far, there is evidence of growing strains in holding the fair trade coalition together. Many movement 100% fair trade retailers—particularly in the USA—have opted to leave the FLO certification system and switch to the new ‘Fair For Life’ seal administered by the certifier IMO, and the organized producer assemblies within FLO have expressed great dissatisfaction with the stagnating minimum prices and increasing certification of plantations; on the other hand, some commercial firms insist that they are paying too much for fair trade goods. Whether the FLO system is capable of resolving these tensions to the satisfaction of most or all parties is far from certain.

What will the fair trade label signify in the future? With the movement currently undergoing a struggle over the soul of the seal, it is possible to imagine a few distinct alternative paths. One scenario, based on current trends, involves the proliferation of new fair trade plantation products, an ever-larger role for large companies, and further marginalization of small farmer groups (in most or all products) and mission-oriented retailers. Another potential route could involve FLO acknowledging the need to accommodate the concerns of small farmers and small retailers, and undertaking a modest restructuring of the initiative’s governance to provide these groups greater representation and defuse tensions. A third possibility might be that the large commercial firms in the system opt to focus more upon their own first-party corporate social responsibility

initiatives—over which they can exert far more control than the fair trade standards—and begin to reduce their participation in the fair trade market, leaving the niche to a growing number of small and medium-sized firms. A corollary to this might be the marginalization of fair trade by an increasing number of alternative eco-labels, with consumers confused by the welter of competing claims.

Ultimately, however, all of these debates over contending policy options and models of growth within the fair trade system encounter the same fundamental problem: market- and consumption-based approaches alone will not render the global economy fair. The formal fair trade system and movement would do well to explore how to fuse the concrete commodity certification initiative with deeper and broader social movements for economic and environmental justice. Particularly during the current economic crisis, in which the deeply flawed nature of neoliberal economic dogma has finally been revealed to large numbers of people as well as governments worldwide, the fair trade movement should also recognize that without substantially increased state and supra-state (re-)regulation of global capital, there will be little chance of achieving a fundamentally more just global economy.

Finally, fair trade could benefit greatly from returning as much as possible toward the loose consensus vision of its founders. This would involve working to ensure that fair trade becomes not merely bigger but fairer for its intended beneficiaries, and striving to make it truly a countervailing force to the unjust terms and structures of global economic exchange. It means building, in other words, a more moral economy.

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